



WILLIAM T FUJIOKA  
Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

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January 10, 2013

To: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer *WTF*

Board of Supervisors  
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First District

MARK RIDLEY-THOMAS  
Second District

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Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

### STATUS REPORT – FORECLOSURE WORKGROUP

During public comment at the December 11, 2012 Board meeting, several County residents asked for the Board's assistance in saving their homes from foreclosure and alleged fraudulent foreclosure recordings. Subsequently, Chairman Mark Ridley-Thomas requested the Chief Executive Officer (CEO) to work with the Departments of Consumer Affairs (DCA), Registrar-Recorder/County Clerk (RR/CC), and County Counsel to form a workgroup to review the foreclosure issues addressed at the Board meeting, and to report back to the Board with the latest foreclosure data. In addition, on January 8, 2013, the Board instructed DCA, RR/CC and County Counsel to review the California Homeowner Bill of Rights, effective January 2013, as well as the issue of potential fraudulent documents filed with RR/CC. County Counsel will report back on this subsequent request under separate cover.

On December 17, 2012, in response to the Board's initial request, this Office formed the County Foreclosure Workgroup (Workgroup) consisting of the aforementioned departments. The Workgroup plans to meet monthly to address the various issues associated with foreclosures and fraudulent foreclosure practices and report back to the Board on a quarterly basis. The current status of the Workgroup's efforts is described below.

### Background

Over the past four years, homeowners across Los Angeles County have been severely impacted by the housing crisis and continue to face high rates of foreclosure and underwater mortgage debt. The crisis has also increased the risk of potential fraudulent foreclosure assistance activity. Specifically, scam artists search public records to obtain the names and addresses of properties for which a Notice of Default was issued and send official-looking documents to homeowners promising to end the foreclosure process for an up-front fee.

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Further, community frustration and alleged fraudulent activities in the foreclosure process have led to the formation of groups such as Occupy Fights Foreclosures. Occupy Fights Foreclosures began contacting DCA and the Consumer Affairs Advisory Commission with a variety of issues and recommendations during the summer of 2012 seeking County action.

### **Foreclosure Activity**

According to data provided by RR/CC, over 445,000 homes have entered the foreclosure process in Los Angeles County since 2006. Although there has been a significant decline in the number of Notices of Default recorded from a high of 106,113 in 2009 to an estimated 45,686 in 2012, there are still too many County residents being impacted by foreclosure. The following chart reflects the number of these recording since 2006.

<b>Year</b>	<b>Notices of Default Recorded</b>	<b>Notices of Trustee Sale</b>
2006	26,423	8,716
2007	53,353	29,067
2008	84,840	64,075
2009	106,113	80,904
2010	68,719	77,919
2011	(est.) 60,000	(est.) 62,000
2012	(est.) 45,686	(est.) 51,105
<b>TOTAL</b>	<b>445,134</b>	<b>373,786</b>

### **Consumer Affairs Advisory Commission Subcommittee on Foreclosures**

In June 2012, the Consumer Affairs Advisory Commission formed a Foreclosure Subcommittee (Subcommittee) to look into issues of fraudulent foreclosures and to review suggestions from the community on how to assist County residents subject to foreclosure. Since then, the Subcommittee has reviewed multiple recommendations submitted by Occupy Fights Foreclosures and, in December 2012, devoted a meeting to discuss foreclosure issues with a representative from the organization. Most of the suggestions from Occupy Fights Foreclosures involved identifying alleged violations committed by banks and other mortgage servicers. Specifically, the organization believes the use of "Robo-signing," in which foreclosure documents are signed and submitted electronically, is fraudulent in that an authorized individual does not actually view the actual documents filed. Further, Occupy Fights Foreclosure believes that such violations invalidate the lender's right to foreclose upon a home and proposes the County take necessary steps to block foreclosures. The Subcommittee will continue to review input, information, and suggestions presented by Occupy Fights Foreclosure and other community groups and provide input and recommendations to the Workgroup. The next Subcommittee is scheduled to meet on January 10, 2013.

## **SB 62 Implementation**

In January 2009, Supervisor Ridley-Thomas introduced a motion to address real estate fraud and foreclosures in Los Angeles County. This led to County-sponsored State legislation and the enactment of Senate Bill (SB) 62 in July 2011. The law took effect in January 2012 and enabled counties to increase recording fees on certain real estate documents to provide notification to homeowners and tenants in foreclosed homes. The new law also allows that a portion of the increased recording fees be used to fund counseling and fraud investigations to a person who receives the notice conducted by agencies such as DCA. Specifically, the increased fee could be used to augment DCA's current Homeowner Fraud Notification program, which involves coordination with law enforcement, and prosecuting and regulatory agencies to identify and investigate real estate fraud cases for referral for civil or criminal prosecution. Further, the fee could also be used to expand the existing notification program to also help victims of foreclosure by including the Notice of Default and Notice of Sale documents. Although SB 62 has yet to be implemented in Los Angeles County, some issues raised by members of Occupy Fights Foreclosures could potentially be addressed through its implementation.

During the same time the Legislature considered and approved SB 62, Proposition 26 was approved by the voters in November of 2010. Proposition 26 amends the California Constitution to provide that any fee enacted by State or local government is deemed a tax requiring voter approval, unless the fee qualifies for a specific exception identified in the measure. It further provides that the local government bear the burden of proving that the charge is not a tax, that its amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the allocation of the cost to a payer are fairly related to the benefits received. County Counsel has preliminarily determined that implementing SB 62 would likely require voter approval. The CEO and County Counsel will continue to review the feasibility of funding SB 62, and if appropriate, provide available options to the Board.

DCA has assumed the lead role in the Workgroup and will report to the Board quarterly on the status of this effort. This Office will act as an adjunct member of the workgroup to ensure compliance with your Board's directive. If you have any questions, please contact Brian Stiger at (213) 974-9750 or via email [bstiger@dca.lacounty.gov](mailto:bstiger@dca.lacounty.gov).

WTF:EFS:MKZ  
FC:BM:ib

c: Executive Office, Board of Supervisors  
County Counsel  
Consumer Affairs  
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